

Should I focus on profits or cashflow?



Turning a profit is at the heart of running any successful company. But should profits be the only financial focus if you're looking to create a stable, long-term business?

Cashflow is the beating heart of your business. Without an even and predictable flow of cash into the company, you can't cover your overheads, you can't pay your employees and you can't run your day-to-day operations – let alone think about expanding and growing the business.

So, what's needed is a healthy cashflow position AND a good focus on driving profits.

Keeping on top of the financial management of your business can be hard work, especially if you're new to accounting and the technical terms that are used to talk about money.

But if you're going to be in control of your financial destiny, it's important to get your head around the important process of cashflow management. This is especially true in the current business landscape, where sales revenue may be less buoyant, cash can be tight and the market is going through a challenging time.

Let's look at some of the key things to understand about your finances:

- **Profit is a by-product of a successful business** – as the owner, you want to make profits, but profitability isn't

the only goal. A business can easily be profitable, but also be highly unstable in the longer term. What you want is stability and consistent revenues.

- **Cashflow is the blood that keeps your business alive** – good revenues (income) serve to bring cash into the business. Without cash to cover your operating expenses, you have no means to keep the lights on in the business. So cash really is king!
- **Know your cost base and overheads** – the flipside of your cashflow position is your costs. In an ideal world, you want more cash inflows than cash outflows, so it's important to know your expenses and costs and to manage them carefully.
- **Be proactive about spend management and easing expenditure** – if you can take action that reduces your spending, that is hugely positive for your cashflow position. Choose cheaper suppliers, negotiate better deals and bring that cost base down.
- **Drive more revenue, through increased sales and marketing activity** – if you can increase your revenues, you also boost your cashflow. So it's important to be proactive about running targeted sales and marketing campaigns to increase your sales.
- **Keep the cash flowing and the profits take care of themselves** – if you achieve the ideal cashflow position, the company sits on solid financial foundations, the cash is there for investment and the business can grow. It's that simple.

Talk to us about improving your cashflow management

Whether you're new to running a business, or a seasoned owner who needs some financial support, we can give you the cashflow advice you need.

We'll review your finances, delve down into your cashflow and

will come up with key ways for you to increase your cash income and reduce your cash expenses. It only takes a few small changes to achieve a far better cashflow position for your business – helping you maintain positive cashflow AND generate meaningful profits.

Get in touch to talk through your cashflow concerns.